Strategy Intact to Capitalise on Weakening Competitors

AirAsia Berhad, Asia's leading low cost carrier is pleased to announce the unaudited results for the second quarter ended 30 June 2008 and provide a review of recent notable events and achievements.

Tony Fernandes said:

"Revenue for the quarter has increased by 41% to RM608 million as the Company carried 20% more passengers to 2.8 million with 16% higher fares. The core operating profit was at RM30 million, flat growth to last year's performance after stripping out a one off gain of RM73 million from the sale of 19 interest rate swaps. This is a commendable performance given that unit fuel price increased by 65% to US$142.5 per barrel. The Malaysian Ringgit has weakened and this has resulted in a translation loss of RM77 million. Due to this charge, AirAsia posted a profit after tax of RM9.4 million.

Load factor was at 76%, which is in line with expectations as we added significant capacity of 33% and introduced six new routes during the period. Yield (Rev / ASK) was up by 13%, significantly better than our expectations. This buoyant and distinctive demand has enabled us to manage yield better.

Ancillary income has delivered stellar performance with 60% growth against the same period last year. The checked baggage fee introduced in the quarter has helped to recover some impact of the higher fuel prices without undermining passenger demand.

Unit cost excluding fuel improved by an impressive 19% stemming from productivity gains and increased number of Airbus A320 into the fleet. However, when fuel cost is included, the unit cost was at 3.57 US cents per ASK, 10% higher than the same period last year.

The first half performance is very encouraging with revenue growth of 38% to RM1.1 billion. Passenger growth has increased by 20% and yields have increased by 11% against the same period last year. Unit cost was up by 8% to 3.44 US cents per ASK as a unit jet fuel price increased by 55%. Excluding fuel, the cost was lower by 25% to 1.25 US cents as we extract the benefits of more Airbus A320 aircraft in the fleet, efficiency enhancement and economies of scale.

At a time when most airlines are cutting back on capacity and carrying fewer passengers, AirAsia continues to grow the business and expand the route network successfully. We are cementing our firm footing in Indonesia by connecting the Sulawesi Island with services to Makassar and Manado from our Kuala Lumpur base – these are unique routes that have never been done in the history of commercial aviation."

Summary for the Second Quarter (April – June 2008) unaudited Financial Results

Quarter Ended: 30 June RM'000	Apr-Jun 2008	Apr-Jun 2007	Δ (%)
Ticket Sales	558,020	400,726	39%
Ancillary Income	50,332	31,428	60%
Revenue	**608,352**	**432,154**	**41%**
Core Operating Profit	29,984	29,426	2%
Profit After Tax	9,418	185,050	-95%
Core Operating Profit Margin	4.9%	6.8%	-1.9 ppt
Profit After Tax Margin	1.5%	42.8%	-41.3 ppt

Summary for the Second Quarter (April – June 2008) Operating Results

Quarter Ended: 30 June	Apr-Jun 2008	Apr-Jun 2007	Δ (%)
Passengers Carried	2,822,612	2,359,553	20%
ASK (million)	4,514	3,402	33%
RPK (million)	3,286	2,745	20%
Seat Load Factor	76.4%	80.7%	-4.3 ppt
Average Fare (RM)	198	170	16%
Rev / ASK (sen)	13.48	12.70	6%
Rev / ASK (US cents)	4.19	3.70	13%
Cost / ASK (sen)	11.49	11.12	3%
Cost / ASK (US cents)	3.57	3.24	10%
Cost / ASK-ex fuel (sen)	4.38	5.73	-24%
Cost / ASK-ex fuel (US cents)	1.36	1.67	-19%
Aircraft (average)	36.6	28.6	28%
Aircraft (end of period)	44	34	29%

Financial Review

Business environment – demand for low fares ever so popular

AirAsia is benefiting from the current slower economic pace growth as more people are switching to lower cost travel option. We have also managed to attract the corporate markets, who are appealed with our comprehensive and high frequency point to point network and our genuine convenient services. Our market share for the domestic Malaysia market has grown to 56% and there is room for further growth. We have launched 20 routes since the beginning of the year and the response has been very encouraging. Some of these new routes achieved profitability almost immediately.

Ancillary Income – underpinning revenue growth

Ancillary income grew by 60% to RM50.3 million, outpacing the passenger growth rate. The per passenger ancillary spend has increased by 34% to RM17.80 / pax and ancillary income now represents 8.3% of revenues. The onboard food and beverage sales have grown significantly since we have rejuvenated the offering with vast selection of hot food. The travel insurance has also grown in popularity and a greater percentage of our guests are purchasing this service. The checked baggage fee introduced in April also contributed significantly without any impact to passenger demand.

Fleet Composition

Operational Aircraft Count	June 2008
Malaysia	44
Thailand	17
Indonesia	11
Group Total	**72**
Aircraft Type	
# Boeing 737-300	33
# Airbus A320	39

Cost Highlights – survival of the fittest

Fuel price continues to break new records up to a point whereby the industry started questioning its commercial viability. We are confident with our position; our unit cost is the lowest in the world and we continue to achieve cost reductions in other areas. We are reaping dividends from our fuel saving initiatives and investments in technology. Our fuel consumption per seat in the second quarter has improved by 3.2% against the first quarter.

Malaysia Airports Berhad (MAB) – amicable solution achieved

The Group has reached an amicable resolution with MAB. We have paid the agreed settlement amount to MAB and accordingly taken credit for the disputed cost items ruled in our favour. The Group is in constant discussion with the Malaysian government to lower airport charges for the low cost terminal and to provide incentives for high growth airlines. We share the same aspiration with the government to make Malaysia a world class aviation hub. We are confident that with the proper charges, efficient infrastructure and continued government support, this dream can be realised within a relatively short period of time.

Associates – on the path to profitability

The Thai operation endured a challenging period due to escalating domestic political uncertainty. These are short term challenges; the long term picture remains bright. We have seen other airlines cease operations and cutting back on capacity in Thailand. This is the perfect opportunity for us to invest in the business and to rejuvenate the fleet with new Airbus A320 aircraft and expand our route network. As the competition backtracks and question their business viability, we will take a leap forward and extend our market leadership.

The Indonesian route network reorganization has produced positive outcomes; we have seen greater passenger flow with substantially higher yields. However, the fuel cost rise impacted the Indonesian operations severely because it is operating with Boeing 737-300 aircraft. Indonesia will receive its first Airbus A320 aircraft on 19 September and this will help to reduce operational cost, enhance efficiency and elevate our service delivery. We have seen greater passenger demand in Indonesia with strong forward bookings with higher yields. We will see significant improvements in the performance of our associates in the third quarter.

Outlook

The third quarter will be a challenge for the Group as it is traditionally our weakest quarter and compounded by the fact that jet fuel prices spiked to record levels in July. Passenger demand remains strong and we are able to achieve higher yields as compared to the same period last year. Despite the added challenge for the third quarter, we are confident that we will remain profitable for the full year accounted.

Jet fuel prices have reached to levels never imagined before and this might be the much needed catalyst for the industry to restructure. Inefficient airlines will find the current market landscape unbearable and will have to cut capacity or disappear altogether. This downturn will ultimately reward untold fortunes to AirAsia: we continue to grow when others recoil, we enhance our service quality when others are scaling back, introduce new routes when others are cancelling destinations and continue to offer low fares when others are raising them. As the turbulent industry unfolds, AirAsia will emerge as the market leader.

For further information please contact:
Investor Relations Mohshin Aziz +603 8660 4013

For further information on AirAsia, please visit the Company's website: www.airasia.com
Statements included herein that are not historical facts are forward-looking statements. Such forward looking statements involve a number of risks and uncertainties and are subject to change at any time. In the event such risks or uncertainties materialize, AirAsia's results could be materially affected. The risks and uncertainties include, but are not limited to, risks associated with the inherent uncertainty of airline travel, seasonality issues, volatile jet fuel prices, world terrorism, perceived safe destination for travel, Government regulation changes and approval, including but not limited to the expected landing rights into new destinations.